



Employees' Retirement Board of Rhode Island
Monthly Meeting Minutes
Wednesday, October 8, 2014
9:00 a.m.
2nd Floor Conference Room, 50 Service Avenue

The Monthly Meeting of the Retirement Board was called to order at 9:04 a.m. Wednesday, October 8, 2014, in the 2nd Floor Conference Room, 50 Service Avenue, Warwick, RI.

I. Roll Call of Members

The following members were present at roll call: General Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Daniel L. Beardsley; Roger P. Boudreau; Steven T. Hartford; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau.

Also in attendance: Frank J. Karpinski, ERSRI Executive Director and Attorney Michael P. Robinson, Board Counsel.

Recognizing a quorum, Treasurer Raimondo called the meeting to order.

Treasurer Raimondo and Director Karpinski welcomed Mr. Steven T. Hartford, the new Director of Administration, to the ERSRI Retirement Board.

II. Approval of Minutes

On a motion by Jean Rondeau and seconded by William B. Finelli, it was unanimously

VOTED: To approve the draft minutes of the September 10, 2014 meeting of the Retirement Board of the Employees' Retirement System of Rhode Island.

Both Mr. Hartford and Treasurer Raimondo abstained from this vote as neither one was present at the September 10, 2014 Board meeting.

III. Chairperson's Report

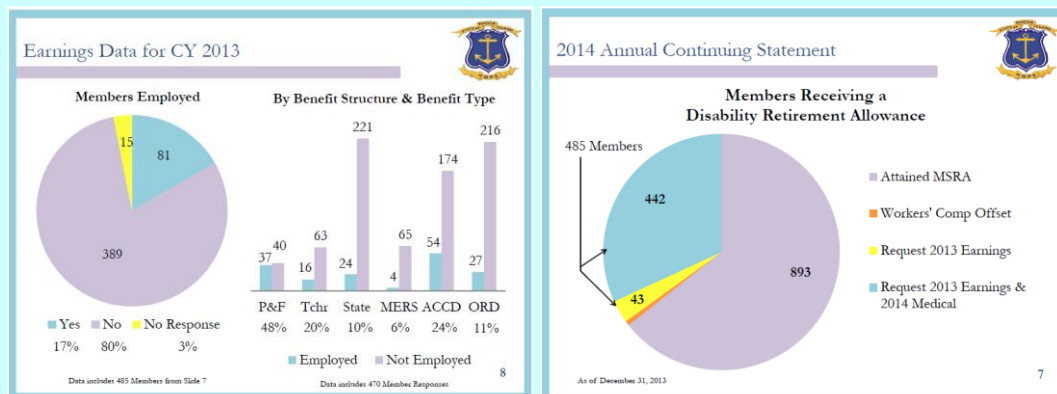
Treasurer Raimondo said that her report will be an update on disability pension compliance and steps that have been implemented to ensure compliance. The Treasurer emphasized that since she took office, disability pension compliance has been a priority. She stressed her concern was making sure procedural matters are strictly adhered to and additional steps such as hiring of an investigator and establishment of a hot-line were implemented. Treasurer Raimondo thanked Attorneys Melissa A. Malone, Gayle C. Mambro-Martin and Andrew S. Marcaccio for their efforts in establishing the infrastructure to manage compliance as well as Gloria Bernstein, Lorri O'Brien and Amanda Lucas for their efforts in carrying out the day-to-day tasks of disability management.

The Treasurer then asked Attorney Mambro-Martin to update the Board on the status of pending disability applications. Attorney Mambro-Martin informed the Board that the

disability process has some challenges but overcoming time delays to expedite adjudication of applications was improved with the expansion of various healthcare providers adding 3 new practice groups and 5 new physicians since 2011. She noted that all completed applications have been assigned to an Independent Medical Examination (IME). Attorney Mambro-Martin noted that expediting the IME process helps mitigate the challenges for physicians to accurately opine on a member's medical conditions. Ms. Mambro-Martin reaffirmed that a member has 90 days to provide documentation to avoid a possible denial of the application by the subcommittee; she then provided the Board with statistics on the pending disability applications. Attorney Malone noted that all the applicants who have pending disability applications have been corresponded with via certified mail and regular mail on numerous occasions by ERSRI. Treasurer Raimondo explained that for any applicant who is still in the process of completing their application, ERSRI has done its due diligence in obtaining documentation without delay to ensure it is being both efficient and effective. She noted that it is the applicants themselves who are not responding to ERSRI's inquiries for required documentation.

Mr. Finelli said some of the outstanding applications may be receiving workers compensation benefits and because of the 5-year filing requirement, the member may have filed for disability but may delay delivering information to avoid an offset with their workers compensation. Mr. Beardsley felt the system should consider reducing the 90-day allowance given to an applicant to obtain medical documentation unless the 5-year period is a factor.

Attorney Marcaccio then provided the Board a presentation on disability compliance. He discussed the laws relating to earning requirements and the IME authority. Attorney Marcaccio then discussed the 2014 annual continuing statement and the earnings data for 2013 and provided the following graphs:



Attorney Marcaccio apprised the Board that 97% of the members submitted their 2013 earnings information and ERSRI is aware of the remaining 3% and will obtain such documentation.

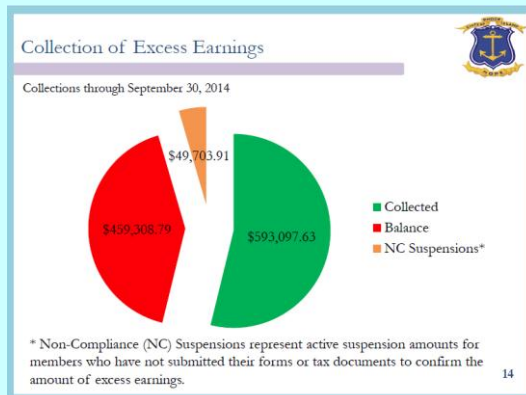
Attorney Marcaccio noted about half of the police and fire members receiving a disability retirement allowance do have some outside employment and noted accidental disabilities are more than ordinary disabilities in relation to outside employment. He also noted that the younger the age, the more likely a member has outside earnings.

Attorney Marcaccio explained the total outside earnings of employment added to one's pension amount should not exceed the amount of what a member would have been earning if still working. Any excess earnings would be recouped from a member's pension. He said in calendar year 2013 there were 8 members who exceeded the earnings limitations resulting in total excess earnings of \$109,925 with employed

members making an average of \$17,278 from their outside employment. Attorney Marcaccio noted that the audit performed by Sullivan & Company uncovered that members' earnings documentation for prior years was missing and potential excess earnings may be outstanding. Attorney Marcaccio apprised the Board that, since 2011, ERSRI has found total excess earnings dating back to 2000 equaling \$1,052,406 and as of October 1, 2014, \$593,098 has been collected by ERSRI.

Mr. Maguire inquired about the elevated excess earnings of the time period from 2006-2008 to 2009-2011. Attorney Marcaccio said that not all of the excess earnings for those particular time periods may be illustrated because the presentation only provides information regarding excess earnings that were found since 2011. He also noted the challenges in accessing pertinent information from members for prior years as time passes. Attorney Malone also informed Mr. Maguire that upon authorization granted by the member, ERSRI's request for collection of tax information from the IRS is limited to 7 years prior.

Attorney Marcaccio provided the graph below and noted that ultimately the pie will have the "red portion" and the "orange portion", i.e. monies owed to ERSRI, shift to the "green portion" as excess earnings will be recouped by ERSRI via deduction from members' pensions.



Attorney Malone apprised the Board that since 2013, ERSRI referred 18 cases to ISG, the System's outside investigator. She said all of those matters remain pending and staff continues to work with ISG and complete required analysis. She noted that for fiscal year 2014, ISG was paid \$33,033.

She then noted that there were 470 hotline calls to date; approximately 26% relate to potential fraud and approximately 2% identify an ERSRI member. She said if other government agencies are affected, ERSRI makes every effort to provide notification. Treasurer Raimondo then thanked Attorneys Malone, Mambro–Martin and Marcaccio for their presentation and diligent efforts.

Treasurer Raimondo concluded her report noting assets under management were at \$8.2 billion; 1-year performance, net of fees, is 14%; 3-year is 10.7% and 5-year is 10.5%. She apprised the Board that the standard deviation is 7.7%. She also noted that Moody's raised their outlook on the State Bond rating from negative to stable citing efforts to reform the pension system.

IV. Executive Director's Report

Director Karpinski apprised the Board that the regularly scheduled Board meeting on December 10, 2014 is the date where the 2014 actuarial valuation is to be approved. However, he noted that Gabriel, Roeder, Smith and Company (GRS) will not be available on that date and asked if the following week, on December 17th, would be appropriate. Director Karpinski said he would send confirmation to Board members of the date change.

Director Karpinski informed the Board that Director of Finance Zachary J. Saul will present the fiscal 2016 budget which if acceptable will need a motion to approve and Chairman Thomas A. Mullaney will give an update on the Procurement Subcommittee meeting of September 29, 2014 in reference to Cyber and Privacy Insurance. Director Karpinski also apprised the Board that as determined from the Board training sessions, a Board Governance review was considered to include the Director's performance and a Governance review. The Director said he issued a request for information and said responses are due on October 31st. He said he would provide more information to the Board in December.

Director Karpinski apprised the Board that they were in possession of the Pension Application Report and the Disability Subcommittee Report.

Lastly, Director Karpinski updated the Board on the "*Report of Contributions*" delinquency report in the Board book. He noted that the East Greenwich School Department, the Town of New Shoreham, the Town of Lincoln and Lincoln Rescue are now current.

Presentation, discussion and potential approval of Fiscal Year 2016 Proposed Budget

Director Karpinski introduced Mr. Zachary J. Saul, Director of Finance, to provide the Board with the fiscal 2016 proposed budget for ERSRI. Mr. Saul told the Board that consistent with Regulation 1 (A) 5 (10) *Board Authority and Duties*, the Board must approve a yearly budget. He said the approved Budget is part of the overall Treasury budget submitted to the General Assembly for ultimate approval. He also pointed out that since the Retirement System is a restricted receipt account, Rhode Island General Law (RIGL) §36-8-10.1 defines how the State's budget cap is calculated, and Mr. Saul stated the following:

There shall be transferred to this restricted receipt account seventeen and one-half (17.5) basis points (0.175%), where one hundred (100.0) basis points equals one percent (1.0%), of the average total investments before lending activities as reported in the annual report of the auditor general for the next preceding five fiscal years.

Mr. Saul said for fiscal 2016 the average total investments before lending activities are calculated at \$7.3 billion and the budget cap (per RIGL) is \$12.92 million. Mr. Saul then highlighted some primary budget changes for the Board. He noted ERSRI will be migrating off of the existing line of business system (i.e., ANCHOR) as it prepares to be moved to the *Ariel*® System from Morneau Shepell. He told the Board that by the end of fiscal 2016 implementation of the system will be completed. He also noted the increase in legal fees. Mr. Saul said the legal services contingency is related to pension reform litigation costs.

Mr. Saul then discussed actuarial expenses. He noted contingencies related to RIGL §36-10-39 that provides the general assembly the authority to request studies of ERSRI's actuaries at the expense of the System. He also noted cost associated with the new accounting standards of GASB 67 (effective in fiscal 2015) and GASB 68 effective for fiscal years beginning after 6/15/2014.

Mr. Saul then discussed the *Personnel Costs* relative to the fiscal 2016 budget and noted they are slightly higher than what was budgeted in fiscal 2015 as he said there is an expectation is to fill the position of the Director of Member Services.

Mr. Hartford asked if the Director of Member Services' position is currently filled and already part of the FY2015 budget. Mr. Saul said it was included in the budget, but that position became vacant. Mr. Hartford asked if this relates to the active budget, and Mr. Saul said yes for the position to be filled with potential raises with the new administration.

Mr. Saul said there was a 7% increase in healthcare costs and the employer contribution rate increased from a 23.33% in fiscal 2015 to 23.64% for the State defined benefit plan (ERS). The contribution rate for the defined contribution plan (DC Plan) remained the same for fiscal 2016. Mr. Saul provided the Board with a personnel supplement and said there are approximately 10.7 allocated positions from other divisions within Treasury that perform services to ERSRI such as Investments, Business Processing, Administration, Legal Services and Communications.

Mr. Saul next discussed the *Purchased Services* noting the disability determination amount of \$163,000 budgeted for fiscal 2014 in comparison to the actual fiscal 2014 amount of \$278,648 was a significant increase. He said the reason was due to many of the specialized IME doctors having significant fee increases as well as increases in the average claims.

Mr. Saul then noted the increase in legal services increased in FY16 to \$1,005,000. Mr. Beardsley asked for the year-to-date expenses for the FY2015 budget for legal special counsel fees, which Mr. Saul said he will obtain and provide and noted the reason the FY2015 budget being significantly lower than FY2014 budget was due to a potential mediated settlement of the reform litigation.

Mr. Beardsley asked if the \$128,000 in the fiscal 2015 budget and the \$1,005,000 in fiscal 2016 budget were being incurred by all of the plans, and Director Karpinski said yes. Mr. Beardsley asked why the system is not paying for the defense for the Cities and Towns. The Treasurer asked Special Counsel, Attorney Mark A. Dingley, to respond. Attorney Dingley said the System and the State are paying for the defense of the claim that the statute constitutes a contract and has been violated. The other claim regarding contract rights is that the collective bargaining agreements (CBA) between the Cities, Towns and their members also constitute contracts that have been violated. However, the State is not a party to those CBA's and thus Attorney Dingley said it would be a violation of the Board's fiduciary duty to spend trust fund money defending the municipalities against claims related to their CBA's where the Board had no involvement.

Mr. Beardsley said the defense's argument is that there was not a contractual relationship for Teachers and State Employees which Attorney Dingley agreed. Mr. Beardsley noted that there are some municipal members that do not have a contractual relationship, i.e. pension benefits are not separately identified within their CBA, and should be included. Attorney Dingley disagreed noting that the Judge's orders identify

only those municipalities where the plaintiffs have put into issue a contract that allegedly has been violated.

Mr. Boudreau said based upon Attorney Dingley's representation of the Board's defense, notwithstanding that it was not a party to the CBA's, the Board is also not a party to the Rhode Island Retirement Security Act of 2011 (RIRSA) and felt it is an obligation of the State to defend and incur fees rather than ERSRI and the Retirement Board. Mr. Boudreau noted that he reluctantly voted to approve the fiscal 2015 budget that included legal fees for the litigation with the expectation that the budgeted funds were sufficient and appropriate to reach a mediated settlement. He then said he objects to the fiscal 2016 budget. First he felt the appropriation was low considering the efforts involved in the pending litigation, in which Attorney Dingley agreed, and second he believed that member monies should not be expended as part of the Board's fiduciary duty relating to the current litigation. He felt such expenses are the State of Rhode Island's obligation.

Attorney Dingley said the plaintiffs are suing the Retirement Board and Executive Director and thus the Retirement Board must be defended as in any litigation in which it is named. He also noted that the Judge determined that the Board is an appropriate party in the lawsuit.

Mr. Maguire asked Mr. Mullaney how much the State has paid to date in the litigation. Mr. Mullaney said the Attorney General has had a part in defending the pension litigation for the Treasurer and Governor in their capacity as Treasurer and Governor so he would need to review those expenses. Mr. Mullaney said he would review all of the applicable expenses and try to provide them either at the November or December Board meeting.

Mr. Saul noted that the *actuarial fees* have increased in fiscal 2014 noting that in addition to performing the normal valuation, there was an experience study, assistance with the pension mediation, providing Board Governance training, a first time valuation for the new Judicial Retirement Fund (as a result of RIRSA) and assistance in responding to the actuarial audit. Mr. Saul said for fiscal 2016, GRS will be performing valuations for fiscal 2015, potential actuarial studies requested by the General Assembly as well as efforts in the implementation of GASB No.67 and No.68.

Mr. Saul discussed the decrease in expense for the internal auditors, BlumShapiro, who will be completing the municipal review which has been conducted over the last 2 fiscal years. He noted that in 2016 they will begin to develop a plan to do cycle testing for municipalities on an ongoing basis to ensure compliance.

Mr. Saul noted the *IT System Support/General Services* appropriation and said the \$3,313,894 is slightly down from the fiscal 2015 budget of \$3,601,314. He said the service level agreement with Morneau Shepell, including implementation cost, for fiscal 2015 are \$2.3 million and \$2.7 million for fiscal 2016. He also noted that there will be a continued cost for fiscal 2015 and part of fiscal 2016 related to usage of the existing Anchor system until the cut-over to the new Ariel® system in fiscal 2016. He also noted an additional project cost for project management by LRWL, Inc., that will continue into fiscal 2015.

Mr. Saul discussed the increase in *all other contracted professional services* which relates to a Board Governance review as well as costs relating to retain the relationship with ISG for their investigative services relating to disabilities.

Mr. Saul then discussed operating costs where the largest item is postage. He said the number includes 4 newsletters being sent to 65,000 members; 28,000 1099R's to

retirees; 7,000 direct deposit remittances per month; 1,500 hard copy checks and general correspondence.

Mr. Maguire asked about the electronic board books previously discussed with the Board. Mr. Saul noted the funds are included under *computer supplies and software*.

Mr. Saul noted that not knowing what the new administration will decide regarding any RFP's for new vendors, he said advertising costs were budgeted to \$2,000 for fiscal years 2015 and 21016.

Mr. Saul said occupancy costs have increased as ERSRI has secured the services of an armed security guard from Capitol Police on a permanent basis.

Mr. Saul noted the furniture and equipment costs show a decrease from fiscal 2015 to 2016 as in fiscal 2015 money has been budgeted to upgrade the existing conference rooms and purchase of new copier machines.

Mr. Maguire asked Mr. Saul why he anticipates such a large increase in out of state transportation. Mr. Saul said there will be travel of expenses of the Board, executive staff, and senior management to attend out of state conferences and overall increases in travel expenses such as flights and hotels, etc. Mr. Saul also noted an increase in travel due to the investment division meeting with investment managers and attending board meetings of private equity firms that the System is invested in.

Mr. Saul noted an increase in insurance for fiscal 2015 and 2016 relating to the potential procurement of a policy for Cyber and Privacy Insurance.

Mr. Saul then concluded his presentation and noted that the budget is under the cap as defined by RIGL §36-8-10.1.

There being no further questions, a motion was made by Steven T. Hartford and seconded by Thomas A. Mullaney to approve the fiscal 2016 Budget of the Employees' Retirement System of Rhode Island as presented.

Prior to the roll call, Mr. Maguire asked Attorney Robinson about the ruling obtained from the Ethics Commission regarding certain members of the Board not allowed to participate in discussions on litigation involving pension reform and since the proposed budget has a line item specifically funding the pension reform defense, he asked if union members should recuse from the vote. Both Mr. Hartford and Mr. Prata suggested that the vote be bifurcated by excluding the litigation line item.

Attorney Robinson said that the Board's statutory obligation is to pass the budget but questioned whether or not union members would be engaging in substantive discussion regarding the lawsuit consistent with the prior ethics opinion.

Attorney Dingley said ultimately the State is paying all the legal expenses when the \$1 million is applied to pay legal fees as it creates an unfunded liability which is added to the State's unfunded liabilities to which the State contributes. He said member contributions do not increase.

Mr. Maguire asked Mr. Mullaney when the budget needs to be finalized. Mr. Mullaney said the budget was due October 1st and he already had the draft provided to his office. He noted that the budget will ultimately be decided by the General Assembly who has the authority to add or subtract monies based on what is recommended by the Governor. Mr. Boudreau then asked on behalf of the labor members of the Board, could the budget issue be delayed until next month and ERSRI obtain an advisory opinion from the Ethics Commission.

A motion was made by Roger P. Boudreau and seconded by Claire M. Newell to postpone the budget for a month and obtain an advisory opinion from the Ethics Commission. A roll call vote was taken, and the following members were present and voted Yea: General Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Daniel L. Beardsley; Roger P. Boudreau; Steven T. Hartford; John P. Maguire; John J. Meehan; Thomas A. Mullaney; Claire M. Newell; Louis M. Prata and Jean Rondeau. It was unanimously

VOTED: To postpone the fiscal 2016 Budget for a month and seek an advisory opinion from the Ethics Commission on certain members' ability to vote on the budget given the line item relating to legal fees for the pending pension reform litigation.

V. Administrative Decisions

None this month.

VI. Approval of the September Pensions as Presented by ERSRI

On a motion by John P. Maguire and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the September pensions as presented.

Thomas A. Mullaney left the meeting at 10:05 a.m.

VII. Legal Counsel Report

Attorney Robinson had no updates to report to the Board. He then suggested that a motion would be in order if the Board wished to convene in Executive Session to discuss the matter identified on the agenda involving litigation of the *State of Rhode Island v. Rachel Arruda*, pursuant to Rhode Island General Laws section §42-46-5 (a)(2).

Consistent with Rhode Island General Laws section §42-46-5 (a)(2) regarding pending or potential litigation involving the Retirement System, a motion was made by Roger P. Boudreau and seconded by John P. Maguire to convene the Board in Executive Session to discuss the identified litigation matter on the agenda.

A roll call vote was taken to enter into Executive Session, and the following members were present and voted Yea: General Treasurer Gina M. Raimondo; Vice Chair William B. Finelli; Daniel L. Beardsley; Roger P. Boudreau; Steven T. Hartford; John P. Maguire; John J. Meehan; Claire M. Newell; Louis M. Prata and Jean Rondeau. It was unanimously

VOTED: To convene the Board into Executive Session pursuant to Rhode Island General Laws section §42-46-5 (a)(2) to discuss potential litigation in the matter identified on the agenda of the *State of Rhode Island v. Rachel Arruda*.

[Executive Session]

The Board thereafter convened in executive session.

[Return to Open Session]

Upon returning to open session, Board Counsel Michael P. Robinson noted for the record that two unanimous votes had been taken in Executive Session. He noted the Board authorized Board Counsel, Michael P. Robinson Esq., to take action pursuant to the Public Employee Pension Revocation and Reduction Act (PEPRRA) in the matter of the *State of Rhode Island v. Rachel Arruda*.

A motion was then made by Jean Rondeau and seconded by Roger P. Boudreau, and it was unanimously

VOTED: To authorize Attorney Robinson to proceed with taking action pursuant to the Public Employee Pension Revocation and Reduction Act (PEPRRA) in the matter of the *State of Rhode Island v. Rachel Arruda*.

The second vote, on a motion made by Roger P. Boudreau and seconded by Claire M. Newell, was to exit executive session and return to open session, it was then unanimously

VOTED: To exit executive session and return to open session.

VIII. Committee Reports

Disability Subcommittee:

The Disability Subcommittee recommended the following actions on disability applications for approval by the full Board as a result of its meeting on Friday, October 3, 2014:

Name	Membership Group	Type	Action
1. Madeline Viveiros	State	Accidental	Deny
2. Damon Borrelli	Municipal	Accidental	Deny
3. Mary Maclaughlin	Municipal	Accidental	Deny
4. Jane Calo	State	Ordinary	Employer will be notified that she should be put on their employment recall list.
5. Sean Siembab	State	Deny-- Accidental	Approve-- Ordinary
6. Emilio Volpicelli	State	Accidental	Deny

Name	Membership Group	Type	Action
7. Timothy Davis	State	Accidental	Postpone
8. Silver Bolano	State	Accidental	Approve @ 50%
9. Mark Sheridan	State	Accidental	Postpone
10. Michael Palumbo	Teacher	Ordinary	Approve
11. Graziella Rhodes	Teacher	Ordinary	Approve
12. Pamela Barber	State	Ordinary	Approve
13. Ruth Wilbur	State	Ordinary	Approve
14. Bruce Smith	Teacher	Ordinary	Postpone
15. Kenneth McClain	State	Ordinary	Approve
16. Norman Breton	Municipal	Ordinary	Postpone

On a motion by William B. Finelli and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, October 3, 2014 on items 1, 4, 5, 6, 7, 12 and 15.

Claire M. Newell recused herself from the vote on numbers 1, 4, 5, 6, 7, 12 and 15.

On a motion by William B. Finelli and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Monday, October 3, 2014 on items 8 and 9.

John J. Meehan recused himself from the vote on numbers 8 and 9.

On a motion by William B. Finelli and seconded by Roger P. Boudreau, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, October 3, 2014 on items 10 and 14.

John P. Maguire recused himself from the vote on numbers 10 and 14.

On a motion by William B. Finelli and seconded by John P. Maguire, it was unanimously

VOTED: To approve the recommendation of the Disability Subcommittee meeting of Friday, October 3, 2014 on items 2, 3, 11, 13 and 16.

Procurement Subcommittee:

Director Frank Karpinski spoke on behalf of Chairman Thomas A. Mullaney stating the Procurement Subcommittee met on September 29, 2014 with members present of Mark A. Dingley, Esq., as designee for Treasurer Gina Raimondo, William B. Finelli, Louis M. Prata and Jean Rondeau.

Director Karpinski said Mr. Kevin Carvalho, Risk Manager for the State of Rhode Island, Sean R. Donaghey, CPCU of the RI Association of Insurance Agents, Inc. and William K. Austin, CRIS of Austin & Stanovich Risk Managers LLC presented an analysis to the committee of 8 major US, London and Bermuda insurance markets that specialize in underwriting Cyber and Privacy Insurance. Through the State, the Rhode Island Association of Insurance Agents, Inc., ("RIAIA") was used as it is the same procurement source used by State of Rhode Island for its overall purchase of property and casualty insurance.

The Director said that RIAIA created a master Cyber and Privacy Insurance Policy application which was completed by ERSRI and then released to the market. The proposals were then analyzed from a standpoint of coverage, limit, deductible/retention and cost. Two proposals were highlighted to ERSRI by their ability to offer broader coverage on terms and conditions and each can offer limits of \$10,000,000.

Director Karpinski said the committee agreed that Cyber and Privacy Insurance Policy was prudent and ERSRI should consider procuring a policy. The committee then voted to instruct the Director to provide additional information to one of the recommended carriers to determine if additional coverage can be obtained and negotiate best and final costs of the two vendors (after information is updated from ERSRI) and bring the proposals to the Board at the November or December meeting for consideration.

Mr. Maguire asked to define what is Cyber Insurance and why is it needed. Director Karpinski said Cyber and Privacy policies cover a business' liability for a data breach in which the members' personal information, such as Social Security or credit card numbers, is exposed or stolen by a hacker or other criminal who has gained access to the firm's electronic network. He said the policies cover a variety of expenses associated with data breaches, including: notification costs, credit monitoring, costs to defend claims by state regulators, fines and penalties, and loss resulting from identity theft. Mr. Maguire understood the protection to the System and agreed with the recommendation of the committee.

The Director apprised the Board that the State is also considering a policy but given the size and increased efforts involved he said more time is needed; ERSRI is ready if the Board is in agreement. Mr. Boudreau asked with the State's consideration to implement as well, would it be cost effective to consider buying a global policy. The Director said he would monitor the State's progress in procuring insurance and if feasible, seek to partake in the State's policy.

IX. Adjournment

There being no other business to come before the Board, on a motion by Roger P. Boudreau and seconded by Claire M. Newell, the meeting adjourned at 10:30 a.m.

Respectfully submitted,

Frank J. Karpinski

Executive Director